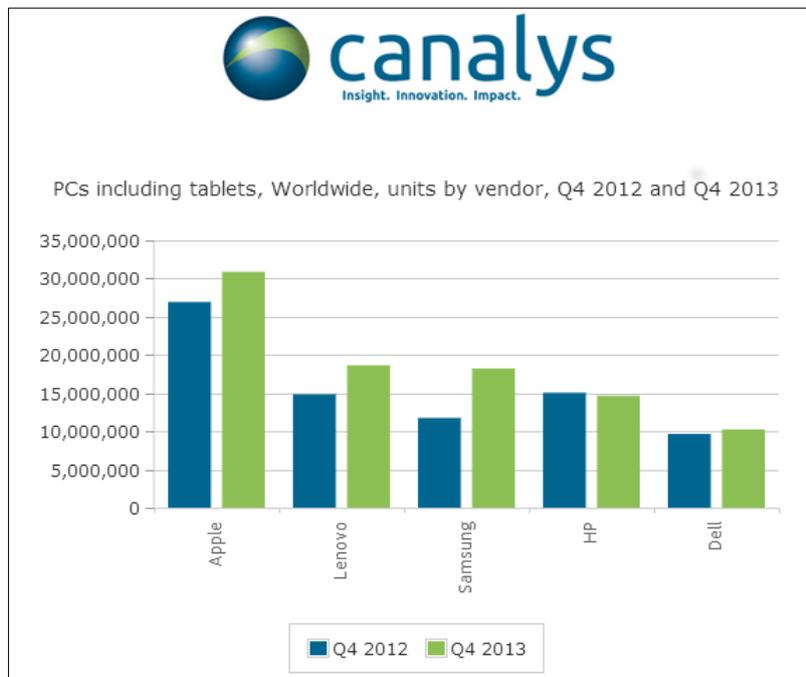


PC shipments up 18% in Q4 as tablets reach almost 50%

➤ Opportunities lie with Google's operating systems and the commercial PC sector

Palo Alto, Shanghai, Singapore and Reading - Monday, February 3 2014

The worldwide PC market grew 17.9% in Q4 2013, thanks to a seasonal surge in tablet shipments. Tablets grew 65.2% year-on-year to reach 76.3 million units, representing 48.3% of the total PC market. Excluding tablets, shipments declined 6.9% year-on-year with falls in all regions.



Apple remained the PC market leader in Q4, shipping 30.9 million units to take a 19.5% share of the market. It shipped 26.0 million iPads, which accounted for 84.3% of its total shipments in Q4. Apple's share of the overall tablet market increased sequentially from 27.3% to 34.1%, with the launch of the iPad Air and iPad mini with Retina display providing a much needed boost. The original iPad mini also fell in price, down to US\$299 in the US, making it cheaper than ever to buy an iPad. But competition is mounting and Android tablets are falling in price, which will put pressure on Apple's market share in 2014.

Lenovo secured an 11.8% share in Q4, narrowly holding onto second place. Lenovo's PC shipments increased 25.5% year-on-year, driven by growth outside of its core Chinese market, where its shipments declined. Lenovo's 11.7% decline in notebook shipments in China was offset by impressive growth in other regions, notably EMEA, where shipments grew 30.4%. Shipments in Latin America also grew strongly, following the acquisition of CCE in the first quarter of 2012. Lenovo was early to embrace Android as a tablet OS, while the likes of HP and Dell waited for Windows 8 and prioritized margin over volume. Lenovo's strategy has paid off, not only in its home market but worldwide. 'Lenovo still has the potential

to grow its global notebook shipments and has emerged as a challenger in the tablet space,' said James Wang, Analyst. 'Worldwide, Lenovo shipped three times as many tablets in Q4 as HP and Dell combined, or two and a half times when excluding China.'

Samsung continued to grow strongly and took third place, shipping 18.2 million units. Tablets accounted for 79.7% of its Q4 PC shipments, some 14.5 million units, up 90.3% on Q4 2012. Samsung is a clear second in the tablet market. The top two vendors combined accounted for 53.2% of shipments. But Samsung's shipment growth came at a price, as it had to resort to significant promotional activity to run down inventory. Most of Apple's and Samsung's shipments are to established markets, with around two thirds to EMEA and North America. Shipments to Latin America and Asia Pacific (excluding Greater China) were similar for both vendors. 'Apple is focusing on China, where it has a 38.3% share of the tablet market, but it does not reach competitive price points in other high-growth markets and risks missing out on future progress,' said Tim Coulling, Senior Analyst. 'Product innovation and competition in the Android camp will continue to accelerate. This gives good growth potential to smaller local players and those top-tier vendors willing to disrupt margins in the tablet space.'

Commercial demand for PCs is improving as businesses face up to the need to migrate from Windows XP. But Windows 8 will not be a major beneficiary as many businesses will take the safer option of moving to Windows 7. This provides an opportunity for vendors with strong enterprise sales and an established B2B channel in 2014. Vendors heavily exposed to the consumer notebook market still face an uncertain future. Windows 8 uptake remains weak and the PC refresh cycle shows no sign of returning. With Windows 9 reported to be scheduled for an April 2015 release, Microsoft risks losing momentum unless it does something drastic to turn its Windows business around. 'Consumers are becoming more open to Windows alternatives, and Google's low-cost options are reaping the rewards,' said Pin Chen Tang, Research Analyst. 'Android is now the most popular OS in the tablet segment and PC vendors are showing a keen interest in Chromebooks, which are carving out a niche, especially in the education sector.'

Note: Canalys defines a client PC as a computing device designed to be operated by an individual and positioned to serve a broad range of purposes, achieved by running third-party applications, some of which can work independently of a network connection. When designed to be portable, it must be able to function without mains power and have a built-in diagonal display size of at least 7 inches.

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